

GDL FUND
Form N-CSR
March 09, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-21969

The GDL Fund

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Bruce N. Alpert

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-422-3554

Date of fiscal year end: December 31

Date of reporting period: December 31, 2016

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct

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comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

The GDL Fund

Annual Report December 31, 2016

(Y)our Portfolio Management Team

Mario J. Gabelli, CFA <i>Chief Investment Officer</i>	Ryan N. Kahn, CFA <i>Analyst</i> <i>BS, Babson College</i>	Gian Maria Magrini, CFA <i>Analyst</i> <i>BS, Fordham University</i>	Geoffrey P. Astle <i>Analyst</i> <i>BS, Fairfield University</i>
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To Our Shareholders,

For the year ended December 31, 2016, the net asset value (NAV) total return of The GDL Fund was 5.1%, compared with a total return of 0.3% for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. The total return for the Fund's publicly traded shares was 4.8%. The Fund's NAV per share was \$11.88, while the price of the publicly traded shares closed at \$9.84 on the New York Stock Exchange (NYSE). See below for additional performance information.

Enclosed are the financial statements, including the schedule of investments, as of December 31, 2016.

Comparative Results

Average Annual Returns through December 31, 2016 (a) (Unaudited)

	1 Year	3 Year	5 Year	Since Inception (01/31/07)
GDL Fund				
NAV Total Return (b)	5.09%	3.31%	4.13%	3.01%
Investment Total Return (c)	4.79	2.93	4.82	1.67
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.33	0.14	0.12	0.76

- (a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month end) date. Dividends are not reinvested for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. You*

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cannot invest directly in an index.

- (b) Total returns and average annual returns reflect changes in the NAV per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$19.06.
- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2016:

The GDL Fund**Long Positions**

U.S. Government Obligations	37.8%
Health Care	10.3%
Energy and Utilities	9.3%
Food and Beverage	4.9%
Telecommunications	4.1%
Computer Software and Services	4.0%
Financial Services	3.8%
Electronics	3.6%
Retail	3.4%
Building and Construction	3.0%
Specialty Chemicals	2.7%
Automotive: Parts and Accessories	2.5%
Cable and Satellite	2.2%
Consumer Products and Services	2.0%
Semiconductors	1.3%
Entertainment	1.2%
Computer Hardware	0.8%
Wireless Communications	0.6%
Metals and Mining	0.6%
Machinery	0.5%
Business Services	0.5%
Diversified Industrial	0.3%
Publishing	0.2%
Aerospace	0.1%
Transportation	0.1%
Hotels and Gaming	0.1%
Equipment and Supplies	0.1%
Real Estate	0.0%*
Educational Services	0.0%*
	100.0%

Short Positions

Health Care	(1.8)%
Broadcasting	(0.5)%
Entertainment	(0.1)%
Financial Services	(0.0)**
	(2.4)%

* Amount represents less than 0.05%

** Amount represents less than (0.05)%

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the SEC) for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30, no later than August 31 of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

The GDL Fund**Schedule of Investments December 31, 2016**

Shares		Cost	Market Value
COMMON STOCKS 61.7%			
Aerospace 0.1%			
9,500	B/E Aerospace Inc.	\$ 565,809	\$ 571,805
Automotive: Parts and Accessories 2.5%			
4,775	Adient plc	224,425	279,815
37,000	Calsonic Kansei Corp.	570,452	566,357
110,000	CLARCOR Inc.	9,052,800	9,071,700
15,100	Federal-Mogul Holdings Corp.	124,400	155,681
		9,972,077	10,073,553
Building and Construction 3.0%			
20,000	Fortune Brands Home & Security Inc.	939,189	1,069,200
200,000	Headwaters Inc.	4,717,962	4,704,000
47,750	Johnson Controls International plc	1,671,605	1,966,823
35,414	Lennar Corp., Cl. B	1,242,454	1,221,783
264	Norbord Inc., New York	5,616	6,666
2,536	Norbord Inc., Toronto	53,958	64,051
117,000	WCI Communities Inc.	2,741,310	2,743,650
		11,372,094	11,776,173
Business Services 0.5%			
16,500	Brammer plc	34,149	33,603
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	459,491	465,297
87,000	exactEarth Ltd.	249,767	136,722
3,000	Funespana SA	27,182	20,211
500	G & K Services Inc., Cl. A	48,373	48,225
175,000	GrainCorp Ltd., Cl. A	1,973,125	1,207,323
16,500	Lavendon Group plc	39,910	53,684
100	Patriot National Inc.	968	465
		2,832,965	1,965,530
Cable and Satellite 2.2%			

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129,500	Crown Media Holdings Inc., Cl. A	657,814	653,975
27,628	Liberty Global plc, Cl. A	970,645	845,140
60,000	Liberty Global plc, Cl. C	2,044,490	1,782,000
14,000	Liberty Global plc LiLAC, Cl. A	387,636	307,440
31,000	Liberty Global plc LiLAC, Cl. C	857,192	656,270
220,000	Sky plc	2,469,203	2,686,895
20,000	Time Warner Inc.	1,759,218	1,930,600
		9,146,198	8,862,320

Computer Hardware 0.8%

250,000	Brocade Communications Systems Inc.	3,096,276	3,122,500
500	Data Modul AG	15,606	25,790
		3,111,882	3,148,290

Computer Software and Services 4.0%

18,000	Ausy	1,091,557	1,039,285
750,883	Datalink Corp.	8,447,794	8,454,943

Market

Shares		Cost	Value
1,672	Dell Technologies Inc., Cl. V	\$ 75,353	\$ 91,904
16,500	Digi International Inc.	221,560	226,875
200	InterXion Holding NV	6,505	7,014
34,000	Intralinks Holdings Inc.	444,715	459,680
107,513	Mentor Graphics Corp.	3,913,192	3,966,155
42,000	Yahoo! Inc.	968,323	1,624,140
		15,168,999	15,869,996

Consumer Products and Services 2.0%

20,000	Avon Products Inc.	143,301	100,800
1,000	Bang & Olufsen A/S	10,516	11,327
320,000	LifeLock Inc.	7,643,439	7,654,400
		7,797,256	7,766,527

Diversified Industrial 0.3%

15,000	ITT Inc.	482,155	578,550
45,000	Myers Industries Inc.	499,454	643,500
3,200	SLM Solutions Group AG	110,664	109,476
		1,092,273	1,331,526

Educational Services 0.0%

44,000	Corinthian Colleges Inc.	51,384	44
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Electronics 3.6%

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190,000	Alliance Semiconductor Corp.	934,838	150,195
85,900	Axis Communications AB	3,441,368	3,211,374
75,000	Bel Fuse Inc., Cl. A	1,962,555	1,898,250
80,000	Harman International Industries Inc.	8,834,225	8,892,800
		15,172,986	14,152,619

Energy and Utilities 9.3%

4,000	Alerion Cleanpower SpA	10,966	12,548
170,000	Alvopetro Energy Ltd.	152,166	29,755
3,500	Avangrid Inc.	135,625	132,580
500,000	Columbia Pipeline Partners LP	8,539,047	8,575,000
400	Dee Valley Group plc	8,624	8,923
72,000	Endesa SA	1,799,401	1,525,295
500	Etablissements Maurel et Prom	2,185	2,221
60,000	Gas Natural Inc.	750,328	753,000
460,000	Gulf Coast Ultra Deep Royalty Trust	704,764	66,700
50,000	Noble Energy Inc.	1,972,132	1,903,000
10,000	NRG Energy Inc.	229,472	122,600
492,313	The Empire District Electric Co.	16,797,057	16,782,950
120,000	Westar Energy Inc.	6,769,781	6,762,000
50,000	WesternZagros Resources Ltd.	120,491	3,165
35,000	Whiting Petroleum Corp.	675,783	420,700
		38,667,822	37,100,437

Entertainment 1.2%

10,680	AMC Entertainment Holdings Inc., Cl. A	369,519	359,373
225,000	Media General Inc.	3,807,673	4,236,750

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) December 31, 2016**

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Entertainment (Continued)			
2,000	SFX Entertainment Inc.	\$ 1,881	\$ 0
		4,179,073	4,596,123
Equipment and Supplies 0.1%			
2,500	The Middleby Corp.	19,758	322,025
Financial Services 3.8%			
6,500	Allied World Assurance Co. Holdings AG	334,129	349,115
50,000	Astoria Financial Corp.	818,965	932,500
8,000	BB&T Corp.	321,418	376,160
290,000	Delta Lloyd NV	1,618,815	1,623,118
85,000	Endurance Specialty Holdings Ltd.	7,841,464	7,854,000
100,000	EverBank Financial Corp.	1,942,789	1,945,000
60,000	Navient Corp.	953,334	985,800
8,000	Nordnet AB, Cl. B	33,598	32,753
4,000	PrivateBancorp Inc.	209,620	216,760
60,000	SLM Corp.	378,899	661,200
900	Topdanmark A/S	25,606	22,849
		14,478,637	14,999,255
Food and Beverage 4.9%			
2,600,000	Parmalat SpA	8,417,120	8,106,697
1,600,000	Premier Foods plc	1,094,124	921,841
15,000	Snyder s-Lance Inc.	491,250	575,100
500	The Hershey Co.	49,906	51,715
170,000	The WhiteWave Foods Co.	9,492,352	9,452,000
2,500,000	Yashili International Holdings Ltd.	1,129,462	480,366
		20,674,214	19,587,719
Health Care 10.1%			
1,400	Actelion Ltd.	272,845	303,152
95,000	Alere Inc.	5,007,219	3,702,150

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3,500	Allergan plc	752,764	735,035
68,000	AstraZeneca plc, ADR	2,689,557	1,857,760
5,500	Cigna Corp.	778,059	733,645
17,000	Constellation Healthcare Technologies, Inc.	48,442	47,978
3,000	Depomed Inc.	65,509	54,060
2,600	Humana Inc.	470,103	530,478
1,000	ICU Medical Inc.	58,368	147,350
4,000	Illumina Inc.	360,787	512,160
6,000	Mylan NV	303,180	228,900
18,000	Rhoen Klinikum AG	400,481	486,200
15,000	Smith & Nephew plc	154,293	225,715
7,500	Smith & Nephew plc, ADR	275,034	225,600
219,000	St. Jude Medical Inc.	17,498,461	17,561,610
200,000	Team Health Holdings Inc.	8,522,768	8,690,000
298,267	Universal American Corp.	2,971,314	2,967,757

Market

Shares		Cost	Value
19,000	Vascular Solutions Inc.	\$ 1,060,264	\$ 1,065,900
		41,689,448	40,075,450

Hotels and Gaming 0.1%

27,000	Belmond Ltd., Cl. A	298,850	360,450
1,000	MGM Resorts International	2,620	28,830
		301,470	389,280

Machinery 0.5%

19,000	CNH Industrial NV	136,721	165,303
600	KUKA AG	73,966	72,538
38,000	Xylem Inc.	1,579,224	1,881,760
		1,789,911	2,119,601

Metals and Mining 0.6%

75,001	Alamos Gold Inc., Cl. A	1,125,584	513,007
35,504	AuRico Metals Inc.	18,895	26,708
15,000	Joy Global Inc.	412,950	420,000
1,000	Osisko Gold Royalties Ltd., New York	13,702	9,720
2,000	Osisko Gold Royalties Ltd., Toronto	27,404	19,528
12,000	Vulcan Materials Co.	740,173	1,501,800
		2,338,708	2,490,763

Publishing 0.2%

136,000	Great Wall Pan Asia Holdings Ltd.	48,079	33,059
27,000	The E.W. Scripps Co., Cl. A	562,238	521,910
4,000	tronc Inc.	45,960	55,480

		656,277	610,449
	Real Estate 0.0%		
3,000	conwert Immobilien Invest SE	38,874	51,033
	Retail 3.4%		
9,883	Blue Nile Inc.	399,797	401,546
26,200	Cabela's Inc.	1,648,340	1,534,010
90,000	CST Brands Inc.	4,288,291	4,333,500
18,000	Office Depot Inc.	104,155	81,360
850,000	Rite Aid Corp.	6,958,463	7,004,000
		13,399,046	13,354,416
	Semiconductors 1.3%		
33,800	AIXTRON SE	137,319	110,261
1,000	Applied Micro Circuits Corp.	8,205	8,250
39,000	Intersil Corp., Cl. A	843,098	869,700
200,000	InvenSense Inc.	2,545,380	2,558,000
3,000	KLA-Tencor Corp.	195,441	236,040
14,000	NXP Semiconductors NV	1,374,305	1,372,140
		5,103,748	5,154,391
	Specialty Chemicals 2.7%		
2,000	Ashland Global Holdings Inc.	18,071	218,580
200,000	Canexus Corp.	246,219	242,803

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) December 31, 2016**

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Specialty Chemicals (Continued)			
110,000	Chemtura Corp.	\$ 3,655,299	\$ 3,652,000
1,500	Linde AG	249,071	246,479
1,500	Monsanto Co.	159,719	157,815
10,000	SGL Carbon SE	215,421	88,002
10,500	Syngenta AG, ADR	913,949	830,025
52,000	The Valspar Corp.	5,465,026	5,387,720
		10,922,775	10,823,424
Telecommunications 4.1%			
690,000	Asia Satellite Telecommunications Holdings Ltd.	1,533,382	859,552
110,000	Inteliquent Inc.	2,516,046	2,521,200
200,000	Koninklijke KPN NV	613,090	592,434
58,000	Level 3 Communications Inc.	3,262,328	3,268,880
1,000	Loral Space & Communications Inc.	31,009	41,050
10,000	NeuStar Inc., Cl. A	331,949	334,000
58,000	Sprint Corp.	333,222	488,360
150,000	Telenet Group Holding NV	7,771,973	8,324,386
		16,392,999	16,429,862
Transportation 0.1%			
2,000	XPO Logistics Europe SA	484,562	431,588
Wireless Communications 0.3%			
24,000	T-Mobile US Inc.	976,382	1,380,240
	TOTAL COMMON STOCKS	248,397,627	245,434,439
RIGHTS 0.5%			
Health Care 0.2%			
187,200	Adolor Corp., CPR, expire 07/01/19	0	97,344
79,391	Ambit Biosciences Corp., CVR	0	47,635
201,600	American Medical Alert Corp., CPR	0	2,016
18,000	Chelsea Therapeutics International Ltd., CVR	1,980	1,980

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270,000	Durata Therapeutics Inc., CVR, expire 12/31/19	0	0
229,178	Dyax Corp., CVR, expire 12/31/19	0	254,388
100	Omthera Pharmaceuticals Inc., expire 12/31/49	0	60
206,000	Synergetics USA Inc., CVR	20,600	20,600
346,322	Teva Pharmaceutical Industries Ltd., CCCP, expire 02/20/23	164,073	0
11,000	Tobira Therapeutics Inc.	151,140	151,140
186,000	Trius Therapeutics, CVR	0	24,180

337,793 599,343

Market

Shares		Cost	Value
Retail 0.0%			
400,000	Safeway Casa Ley, CVR, expire 01/30/19	\$ 70,942	\$ 152,000
400,000	Safeway PDC, CVR, expire 01/30/17	3,407	8,000
		74,349	160,000
Wireless Communications 0.3%			
470,000	Leap Wireless International Inc., CVR, expire 03/14/17	1,102,230	1,184,400
TOTAL RIGHTS		1,514,372	1,943,743
WARRANTS 0.0%			
Energy and Utilities 0.0%			
35,000	Kinder Morgan Inc., expire 05/25/17	66,675	193
Metals and Mining 0.0%			
850	HudBay Minerals Inc., expire 07/20/18	962	288
TOTAL WARRANTS		67,637	481

Principal

Amount

U.S. GOVERNMENT OBLIGATIONS 37.8%			
\$150,771,000	U.S. Treasury Bills, 0.386% to 0.662% , 01/12/17 to 06/29/17(a)	150,600,214	150,594,150
TOTAL INVESTMENTS 100.0%		\$ 400,579,850	397,972,813

		Settlement Date	Unrealized Appreciation/ Depreciation
FORWARD FOREIGN EXCHANGE CONTRACTS (b) (0.1%)			
3,600,000(c)	Deliver British Pounds in exchange for United States Dollars 4,449,906	01/27/17	9,730

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21,500,000(d)	Deliver Euro Currency in exchange for United States Dollars 22,491,515	01/27/17	(174,159)
29,000,000(e)	Deliver Swedish Kronor in exchange for United States Dollars 3,153,329	01/27/17	(35,742)
200,000(f)	Deliver Swiss Francs in exchange for United States Dollars 195,372	01/27/17	(1,437)
TOTAL FORWARD FOREIGN EXCHANGE CONTRACTS			(201,608)

See accompanying notes to financial statements.

The GDL Fund

Schedule of Investments (Continued) December 31, 2016

Notional Amount		Termination Date	Unrealized Appreciation/ Depreciation
EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS (g) 0.0%			
\$ 890,362 (262,000 Shares)	E2V Technologies	12/14/17	\$ (9,602)
1,116 (700 Shares)	Gulf Keystone Petroleum Ltd.	06/28/17	(4)
247,896 (440,500 Shares)	Premier Foods plc	03/31/17	5,898
TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS			(3,708)
			Market Value
SECURITIES SOLD SHORT (2.4)% (Proceeds received \$9,519,241)			(9,551,994)
Other Assets and Liabilities (Net)			(40,235,218)
PREFERRED STOCK (2,624,025 preferred shares outstanding)			(131,201,250)
NET ASSETS COMMON STOCK (18,248,752 common shares outstanding)			\$ 216,779,035
NET ASSET VALUE PER COMMON SHARE (\$216,779,035 ÷ 18,248,752 shares outstanding)			\$ 11.88

Shares

Proceeds

Market

		Value	
SECURITIES SOLD SHORT (2.4)%			
Broadcasting (0.5)%			
27,980	Nexstar Broadcasting Group Inc., Cl. A	\$ 1,354,384	\$ 1,771,134
Entertainment (0.1)%			
10,000	AMC Entertainment Holdings Inc., Cl. A	342,192	336,500
Financial Services (0.0)%			
1,463	Canadian Imperial Bank of Commerce	121,026	119,381
Health Care (1.8)%			
190,705	Abbott Laboratories	7,701,639	7,324,979
TOTAL SECURITIES SOLD SHORT(h)		\$ 9,519,241	\$ 9,551,994

- (a) At December 31, 2016, \$40,350,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
- (b) At December 31, 2016, the Fund had entered into forward foreign exchange contracts with State Street Bank and Trust Co.
- (c) Principal amount denoted in British Pounds.
- (d) Principal amount denoted in Euros.
- (e) Principal amount denoted in Swedish Kronor.
- (f) Principal amount denoted in Swiss Francs.
- (g) At December 31, 2016, the Fund had entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc.
- (h) At December 31, 2016, these proceeds are being held at Pershing LLC.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CCCPContingent Cash Consideration Payment

CVRContingent Value Right

CPRContingent Payment Right

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See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) December 31, 2016**

Geographic Diversification	% of Market Value	Market Value
Long Positions		
North America	86.6%	\$ 344,623,647
Europe	10.6	41,988,058
Latin America	2.4	9,587,428
Asia/Pacific	0.3	1,207,323
Japan	0.1	566,357
Total Investments	100.0%	\$ 397,972,813
Short Positions		
North America	(2.4)%	\$ (9,551,994)

See accompanying notes to financial statements.

The GDL Fund
Statement of Assets and Liabilities**December 31, 2016****Assets:**

Investments, at value (cost \$400,579,850)	\$ 397,972,813
Foreign currency, at value (cost \$6,055,328)	6,055,328
Cash	1,461,984
Deposit at brokers	7,228,606
Receivable for investments sold	2,540,609
Dividends receivable	157,085
Unrealized appreciation on forward foreign exchange contracts	9,730
Unrealized appreciation on swap contracts	5,898
Deferred offering expense	112,846

Total Assets	415,544,899
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Liabilities:

Securities sold short, at value (proceeds \$9,519,241)	9,551,994
Distributions payable	54,667
Payable for Fund shares redeemed	440,875
Payable for investments purchased	52,772,016
Payable for investment advisory fees	4,347,626
Payable for payroll expenses	53,724
Payable for accounting fees	7,500
Unrealized depreciation on forward foreign exchange contracts	211,338
Dividends payable on securities sold short	24,663
Unrealized depreciation on swap contracts	9,606
Series B Cumulative Preferred Shares, callable and mandatory redemption 03/26/18 (See Notes 2 and 5)	131,201,250
Other accrued expenses	90,605

Total Liabilities	198,765,864
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Net Assets Attributable to Common Shareholders	\$ 216,779,035
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Net Assets Attributable to Common Shareholders Consist of:

Paid-in capital	\$ 220,615,581
Undistributed net investment income	316,348
Distributions in excess of net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	(1,302,922)
Net unrealized depreciation on investments	(2,607,037)
Net unrealized depreciation on securities sold short	(32,753)
Net unrealized depreciation on swap contracts	(3,708)

Net unrealized depreciation on foreign currency translations	(206,474)
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Net Assets	\$ 216,779,035
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Net Asset Value per Common Share:

(\$216,779,035 ÷ 18,248,752 shares outstanding at \$0.001 par value; unlimited number of shares authorized)	\$11.88
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Statement of Operations**For the Year Ended December 31, 2016****Investment Income:**

Dividends (net of foreign withholding taxes of \$31,977)	\$ 3,359,507
Interest	871,372

Total Investment Income	4,230,879
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Expenses:

Investment advisory fees	5,974,907
Interest expense on preferred shares	3,946,971
Dividend expense on securities sold short	184,281
Trustees fees	135,000
Payroll expenses	120,656
Offering expense for issuance of preferred shares	89,663
Shareholder communications expenses	89,634
Service fees for securities sold short (See Note 2)	68,066
Legal and audit fees	49,669
Accounting fees	45,000
Custodian fees	34,700
Shareholder services fees	18,721
Interest expense	5,199
Miscellaneous expenses	74,750

Total Expenses	10,837,217
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Less:

Expenses paid indirectly by broker (See Note 3)	(3,644)
Advisory fee reduction on unsupervised assets (See Note 3)	(6,494)
Custodian fee credits	(1,949)

Total Credits and Reductions	(12,087)
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Net Expenses	10,825,130
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Net Investment Loss	(6,594,251)
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Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency:

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Net realized gain on investments	15,782,905
Net realized gain on securities sold short	52,846
Net realized loss on swap contracts	(1,268,202)
Net realized gain on foreign currency transactions	3,784,422
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	18,351,971
Net change in unrealized appreciation/depreciation:	
on investments	(2,954,700)
on securities sold short	(72,394)
on swap contracts	106,627
on foreign currency translations	(439,669)
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(3,360,136)
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency	14,991,835
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	\$ 8,397,584

See accompanying notes to financial statements.

The GDL Fund**Statement of Changes in Net Assets Attributable to Common Shareholders**

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operations:		
Net investment loss	\$ (6,594,251)	\$ (6,680,278)
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	18,351,971	20,336,187
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(3,360,136)	(5,509,072)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	8,397,584	8,146,837
Distributions to Common Shareholders:		
Net realized short term gain	(3,921,266)	(3,623,632)
Net realized long term gain	(7,077,225)	(7,510,804)
Return of capital	(1,016,101)	(1,625,757)
Total Distributions to Common Shareholders	(12,014,592)	(12,760,193)
Fund Share Transactions:		
Decrease from repurchase of common shares (includes transaction costs)	(12,562,913)	(7,321,259)
Decrease in Net Assets from Fund Share Transactions	(12,562,913)	(7,321,259)
Net Decrease in Net Assets Attributable to Common Shareholders	(16,179,921)	(11,934,615)
Net Assets Attributable to Common Shareholders:		
Beginning of year	232,958,956	244,893,571
End of year (including undistributed net investment income of \$316,348 and \$0, respectively)	\$ 216,779,035	\$ 232,958,956

See accompanying notes to financial statements.

The GDL Fund**STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2016**

Net increase in net assets attributable to common shareholders resulting from operations	\$ 8,397,584
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Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to Net Cash from Operating Activities:

Purchase of long term investment securities	(623,076,215)
Proceeds from sales of long term investment securities	625,090,172
Proceeds from short sales of investment securities	47,534,806
Purchase of securities to cover short sales	(45,915,009)
Net purchases of short term investment securities	(17,370,533)
Net realized gain on investments	(15,782,905)
Net realized gain on securities sold short	(52,846)
Net increase in unrealized depreciation on investments and swap contracts	2,848,073
Net amortization of discount	(599,614)
Net increase in unrealized depreciation on forward foreign exchange contracts	489,870
Net increase in unrealized depreciation on securities sold short	72,394
Decrease in deposit at broker	619,999
Increase in receivable for investments sold	(2,540,609)
Decrease in dividends receivable	101,802
Decrease in prepaid expenses	5,207
Decrease in deferred offering expense	86,818
Increase in other receivable	(357)
Increase in payable for investments purchased	49,533,911
Increase in payable for investment advisory fees	537,063
Decrease in payable for payroll expenses	(4,462)
Decrease in payable for dividends payable on securities sold short	(2,871)
Increase in distributions payable	10,933
Increase in other accrued expenses	13,763
Net cash provided by operating activities:	29,996,974

Net decrease in net assets resulting from financing activities:

Distributions to Common Shareholders	(12,014,592)
Increase in payable for Fund shares redeemed	308,018
Decrease from repurchase of common shares	(12,562,913)
Net cash used in financing activities	(24,269,487)

Net increase in cash	5,727,487
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Cash (including foreign currency):	
Beginning of year	1,789,825
End of period	\$ 7,517,312

Supplemental disclosure of cash flow information:

Interest paid on preferred shares	\$ 3,936,038
Interest paid on bank overdrafts	\$ 5,199

See accompanying notes to financial statements.

The GDL Fund**Financial Highlights****Selected data for a common share of beneficial interest outstanding throughout each year:**

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Operating Performance:					
Net asset value, beginning of year	\$ 11.93	\$ 12.10	\$ 12.78	\$ 13.26	\$ 13.94
Net investment loss	(0.36)	(0.44)	(0.26)	(0.33)	(0.46)
Net realized and unrealized gain on investments, securities sold short, swap contracts, written options, and foreign currency transactions	0.84	0.85	0.33	1.13	1.06
Total from investment operations	0.48	0.41	0.07	0.80	0.60
Distributions to Common Shareholders:					
Net investment income			(0.06)		(0.08)
Net realized gain	(0.59)	(0.56)	(0.53)	(0.28)	
Return of capital	(0.05)	(0.08)	(0.21)	(1.00)	(1.20)
Total distributions to common shareholders	(0.64)	(0.64)	(0.80)	(1.28)	(1.28)
Common Share Transactions:					
Increase in net asset value from repurchase of common shares	0.11	0.06	0.05	0.00(a)	0.00(a)
Net Asset Value, End of Year	\$ 11.88	\$ 11.93	\$ 12.10	\$ 12.78	\$ 13.26
NAV total return	5.09%	3.95%	0.94%	6.31%	4.44%
Market value, end of year	\$ 9.84	\$ 10.01	\$ 10.23	\$ 11.02	\$ 11.42
Investment total return	4.79%	4.12%	(0.07)%	7.79%	7.67%
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of year (in 000 s)	\$ 347,980	\$ 364,160	\$ 381,126	\$ 404,984	\$ 422,956
	\$ 216,779	\$ 232,959	\$ 244,894	\$ 268,751	\$ 278,968

Net assets attributable to common shares, end of year (in 000 s)					
Ratio of net investment loss to average net assets attributable to common shares including interest and offering costs(b)	(2.94)%	(2.75)%	(1.38)%	(2.50)%	(3.33)%
Ratio of operating expenses excluding the effect of dividends and service fees on securities sold short to average net assets attributable to common shares(c)(d)	4.72%(e)	4.23%(e)	2.99%	4.76%	4.58%
Portfolio turnover rate	284%	268%	315%	319%	335%
Series B Cumulative Preferred Shares (f)					
Liquidation value, end of year (in 000 s)	\$ 131,201	\$ 131,201	\$ 136,232	\$ 136,232	\$ 143,988
Total shares outstanding (in 000 s)	2,624	2,624	2,725	2,725	2,880
Liquidation preference per share	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Average market value(g)	\$ 50.51	\$ 50.30	\$ 50.36	\$ 50.41	\$ 50.63
Asset coverage per share	\$ 132.61	\$ 138.78	\$ 139.88	\$ 148.64	\$ 146.87
Asset coverage	265%	278%	280%	297%	294%

Based on net asset value per share, adjusted for reinvestment of distributions at prices at the net asset value per share on the ex-dividend dates.

Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan.

- (a) Amount represents less than \$0.005 per share.
- (b) The Fund incurred interest expense during all periods presented. Interest expense on Preferred Shares relate to the \$50 Series B Preferred Shares through December 31, 2016 (see Footnotes 2 and 5).
- (c) Ratio of operating expenses including interest, dividends and service fees on securities sold short, and offering costs to average net assets attributable to common shares for the years ended December 31, 2016, 2015, 2014, 2013, and 2012 would have been 4.84%, 4.43%, 3.07%, 4.80%, and 4.66%, respectively.
- (d) Ratio of operating expenses excluding interest, dividends and service fees on securities sold short, and offering costs to average net assets attributable to common shares for the years ended December 31, 2016, 2015, 2014, 2013, and 2012, would have been 2.92%, 2.87%, 1.35%, 3.22%, and 2.58%, respectively.
- (e) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended December 31, 2016 and 2015, there was no impact on the expense ratios.
- (f) Series B Cumulative Preferred Shares were first issued on April 15, 2011.
- (g) Based on weekly prices.

See accompanying notes to financial statements.

The GDL Fund

Notes to Financial Statements

1. Organization. The GDL Fund currently operates as a diversified closed-end management investment company organized as a Delaware statutory trust on October 17, 2006 and registered under the Investment Company Act of 1940, as amended (the 1940 Act). Investment operations commenced on January 31, 2007.

The Fund's primary investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. The Fund will seek to achieve its objective by investing primarily in merger arbitrage transactions and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs, and liquidations. The Fund will invest at least 80% of its assets, under normal market conditions, in securities or hedging arrangements relating to companies involved in corporate transactions or reorganizations, giving rise to the possibility of realizing gains upon or within relatively short periods of time after the completion of such transactions or reorganizations.

The Fund may invest a high percentage of its assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the Fund may be more susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may experience increased volatility to the Fund's NAV and a magnified effect in its total return.

2. Significant Accounting Policies. As an investment company, the Fund follows the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles (GAAP) that may require the use of management estimates and assumptions in the preparation of its financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees (the Board) so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the Adviser).

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market, but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

The GDL Fund

Notes to Financial Statements (Continued)

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 quoted prices in active markets for identical securities;
- Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 significant unobservable inputs (including the Board's determinations as to the fair value of investments).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities and other financial instruments by inputs used to value the Fund's investments as of December 31, 2016 is as follows:

	Valuation Inputs			Total Market Value at 12/31/16
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				